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25X1



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

31 March 1983

CUBA: FOOD SITUATION

Summary

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Serious crop losses have resulted from heavy rains and high winds that have plagued Cuba almost constantly since January, according to the Cuban press, as well as reports from the US Interests Section and other Western embassies in Havana. Although the Cubans may be overplaying the extent of the damage for a number of reasons, we believe significant losses have occurred. We further believe that the Cuban consumer will bear the brunt of these losses.

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Both domestic and export crops have been affected by the rains. A Western embassy in Havana places the loss of sugar at 1 million tons, or about \$150 million in hard currency at current market prices. Cuban press reports indicate that nearly 30 percent of the tobacco crop was destroyed for an additional loss of \$25 million. Sixty-five percent of the tomato crop and 25 percent of other basic foodstuffs such as potatoes, onions, garlic and peppers also were destroyed according to the Cuban press. Moreover, spring plantings have been interrupted and the agricultural infrastructure--such as poultry houses, curing

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This paper, requested by Secretary of State George Shultz, was prepared [redacted] of the Middle America-Caribbean Division of the Office of African and Latin American Analysis. It was coordinated with the Office of Soviet Analysis. Questions and comments are welcome and should be directed to Chief, Middle America-Caribbean Division, [redacted]

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sheds, and storage buildings--has also been damaged. [redacted]

As on previous occasions, Havana may be exaggerating the extent of the damage in an attempt to manipulate the international price of sugar. [redacted]

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[redacted] Havana also may be using weather losses as an excuse for not reaching its 1983 output target of 8.5 million tons of sugar when other factors--such as the cutting of immature cane in the 1982 harvest, overly optimistic targets, and reduced fertilizer applications--also are to blame. [redacted]

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Nevertheless, the sugar crop almost certainly has been adversely affected. Reliable observers have confirmed that excessive rains have delayed the harvest. Although the regime has indicated that the sugar cane harvest, which usually winds up in early May, will be extended, this may be hampered by the spring rains which normally begin at that time. Moreover, the sugar content of the mature cane remaining in the fields will begin to decline, reducing yield. [redacted]

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The heavy press coverage given to domestic crop destruction by Havana suggests that it will opt for increased consumer austerity rather than significantly increasing food imports. Constrained by hard currency shortages, Cuba is unable to greatly increase such imports from the West without additional credits. Havana may appeal to Western countries, particularly sympathetic ones such as Spain, for favorable financing terms for food imports. A Western press service reports that Cuba already has applied to the UN Food and Agricultural Organization for aid. [redacted]

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Nevertheless, the Castro regime is unlikely to significantly increase its hard currency debt levels to accommodate food imports; rather, we judge that it will demand consumers to tighten their belts even further. Even before the weather damage became apparent, Fidel Castro flatly stated in a private meeting with Western creditors that his approach to resolving Cuba's hard currency shortages would be to demand greater sacrifice from the Cuban people. [redacted]

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Cuba may also request increased aid from the USSR to alleviate its food shortages. Moscow, facing hard currency difficulties this year because of the oil price decline, will be reluctant to provide much, if any, convertible currency assistance to Cuba. If the Cuban food situation indeed becomes serious, the USSR may permit Havana to decrease its protocol commitment of sugar exports to the Soviet Union, freeing these exports for hard currency markets in the West. Alternatively,

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Moscow may step up the share of sugar its purchases for hard currency or increase its soft currency exports of foodstuffs to Havana. [REDACTED]

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/ A loss of revenue from lower sugar and tobacco exports would decrease Cuba's already slim chances for meeting trade targets established in its recent debt rescheduling agreement. Havana could recoup some of the losses if the price of sugar increases in response to its claims of lower output. [REDACTED]

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SUBJECT: Cuban Food Situation

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